

# Virginia Small Business Financing Authority

## *Virginia Community Reinvestment Program*

The Virginia Small Business Financing Authority's Community Reinvestment Program is designed to help existing businesses fund the purchase of owner occupied real estate and/or capital equipment. The Virginia Small Business Financing Authority (VSBFA) serves as the conduit through which the Community Reinvestment Fund (CRF – a Minnesota based 501 c3) makes loans in economically disadvantaged areas, to disadvantaged business owners, or in situations that create economic benefit or important public impact as determined by the VSBFA and CRF. The assets financed will be pledged as collateral for these loans.

<p><b><u>Eligible Borrowers:</u></b></p> <ul style="list-style-type: none"><li>• All borrowers must comply with the Community Reinvestment Fund's guidelines for this Program. Certain restrictions apply.</li><li>• All borrowers must have a history of positive cash flow, operating ratios consistent with industry norms, sufficient working capital to meet current obligations, and cash equity in the proposed project.</li><li>• All borrowers must occupy a minimum 51% of real estate and use 100% of the equipment financed by this program and provide the guaranties of all persons and businesses owning a minimum 20% of the applicant.</li></ul> <p><b><u>Borrowers should meet one of the following criteria:</u></b></p> <ul style="list-style-type: none"><li>• Have \$10 million or less in annual revenues over each of the last three years; or</li><li>• Have a net worth of less than \$2 million; or</li><li>• Have fewer than 250 employees; or</li><li>• Be a 501(c)3 entity.</li></ul>	<p><b><u>Amount:</u></b></p> <p>Maximum loan available for each project is \$1,000,000. Minimum loan amount is \$50,000.</p> <p><b><u>Term:</u></b></p> <p>Amortization matches the life of the assets to be purchased with loan proceeds. Typically maximum 20 years for real estate and 7 years for equipment. Fully amortizing or balloon balances.</p> <p><b><u>Interest Rate:</u></b></p> <p>Fixed rate tied to "like-treasuries" plus an approximate 3.5% spread based upon risk profile. Spread can be higher or lower.</p> <p><b><u>Fees:</u></b></p> <p>2% commitment fee with \$500 due upon application. Customary closing fees (legal, appraisal, etc.) plus maximum \$500 document preparation fee.</p> <p><b><u>Prepayment Penalty:</u></b></p> <p>Sliding scale over the life of the loan. Maximum 1.5% of loan amount. No partial prepayments allowed.</p>
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**Through the project financed by loan proceeds, the applicant business must:**

- **Create or save permanent full-time jobs which pay a minimum of \$8.00 per hour; or**
- **Make capital investments in designated geographic areas; or**
- **Be owned by a member of a disadvantaged group; or**
- **Directly impact a recognized local, regional, or state economic or quality of life initiative.**

<p>Loan funds can be used to:</p> <ol style="list-style-type: none"><li>1. Acquire, improve, expand, and/or rehabilitate owner occupied commercial real estate. (Up to 85% funding for non-special use real estate and 70% of single-use facilities.)</li><li>2. Purchase and install machinery and equipment. (Fund up to 60% for new equipment and 50% used.)</li><li>3. Refinance or restructure existing debt.</li></ol>	<p>Loan funds <b>cannot</b> be used to:</p> <ol style="list-style-type: none"><li>1. Compensate for a fundamental business weakness or poor credit history.</li><li>2. Provide working capital.</li><li>3. Fund start ups.</li><li>4. Finance construction advances, project must be complete.</li></ol>
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Completed applications will be reviewed by the VSBFA staff and recommendations will be made to the Community Reinvestment Fund. Approval will be based on the company's creditworthiness, ability to repay the loan, collateral offered to secure the loan, guarantor strength, and the economic benefit to the Commonwealth.

For additional information and application materials, contact the Financial Services Division of the Department of Business Assistance via the website; [www.dba.virginia.gov/financing](http://www.dba.virginia.gov/financing) or call 1-866-248-8814.

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